

POOR CUSTOMER SERVICE AND ITS IMPACT ON THE RWANDAN ECONOMY

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Contents

List of figures	2
List of tables	2
Abstract	3
Acknowledgements	4
Acronyms	4
1. Introduction	5
2. Summary	7
3. Methodologies	8
4. Analysis and findings of poor customer service	10
5. Impact of poor customer service on the Rwandan economy	15
6. Understanding causes of poor service: supply and demand factor	19
7. Conclusion and recommendations	23
Notes	24
References	25
Appendix	26

List of figures

1. TripAdvisor reviews highlighting customer service, value or quality	10
2. Most cited problems with customer service among TripAdvisor reviewers	11
3. Trends in perception of customer service among TripAdvisor reviewers	11
4. Comparisons of customer service in Rwanda and EAC countries	12
5. Gap between ideal and experience of customer service	13
6. Customer service by sector and aspect of performance	13
7. Mean, minimum and maximum scores in each dimension, all businesses	14
8. Satisfaction with way complaint was handled	14
9. Projected trend in service sector growth, 2008-2012	15
10. Potential impacts of customer service growth premium, 2008-2012	18
11. Customer service performance by sector	19
12. Higher emphasis on leisure than would be predicted from the country's current level of development	20
13. Intensity of emphasis on work as important to life	20
14. Pessimism that hard work will lead to a better life	21
15. Reasons for continuing to visit businesses with poor service	21
16. Propensity to complain and exposure to other cultures	22
17. Attitudes to complaining by whether has lived outside Rwanda	22

List of tables

1. Potential supply and demand side of poor service	19
2. Key assumptions in our model of the economic impact of poor customer service	26
3. Key assumptions in our model of the economic impact of poor customer service	26

Abstract

Conditions of doing business are changing rapidly. In the last decade the commodity market has witnessed a substantial growth and rapid change, globally as well as domestically. Customer satisfaction is critical issue in the success of any business system, hence one of the key challenges on this market, is how to satisfy and retain customers. The issue is strongly related to how service quality is managed and which holds a significant importance to customers' satisfaction and their perceived performance of companies. In order for companies to grow and survive, they must find new ways of thinking, which has led to various marketing researches, especially those related to customer satisfaction.

The research on *Poor Customer Service and its Impact on the Rwandan Economy* conducted by IPAR, in a span of 2 weeks, in preparation for the annual Leadership Retreat had an objective of evaluating customer satisfaction levels in Rwanda. From our findings, it emerged that 25% of tourists experienced bad customer experience during their stay in Rwanda. Rwandan customer service is seen as the worst in the East African region, which comprises of Burundi, Uganda, Tanzania and Kenya. It also revealed that service quality varies across sectors and is linked to skills, with white collar sectors generally performing better and blue collar sectors, notably transportation remains weak in service performance.

In addition, further findings showed that the biggest problem with poor customer was the lack of consumer awareness of what to expect and a cultural aversion to demanding better as among the potential causes of poor service. Consumers who have lived outside Rwanda or visited elsewhere in the region are 50% times more likely to complain when they get poor service than those who have not. However, using the 'satisfaction profit chain' approach, it showed that if customer service were to improve significantly, it could increase the Rwandan Gross Domestic Profit (GDP), as much as \$40 million a year by 2012.

The research was cross sectional in nature and aimed to provide holistic perceptive of the perceptions and expectations of the customers served by the various commodity providers in Rwanda. Our analytical approach was based on several methodologies. We collected secondary data from various documents, consulted both from private and public sectors. In regards to primary data, it consisted of several analyses. We did an analysis of customer perceptions of Rwandan hotels, restaurants and attractions as posted on TripAdvisor.com, a major user-generated tourist information website, with over 30 million subscribers. From our team of "Mystery Shoppers", we collected primary data on customer service performance in key sectors and lastly, we conducted a small non - representative survey, which gave us some initial insight into customer attitude and behaviour.

Acknowledgements

IPAR would like to thank Paul Skidmore from the Office of Tony Blair and the Rwanda Development Board (RDB) for supporting this research, SHEI Consulting for carrying out the mystery shopping, and Frieda, Olive and John for administering the survey.

Acronyms

EAC	East African Community
IPAR	Institute of Policy Analysis and Research
MINECOFIN	Ministry of Finance and Economic Planning
RDB	Rwanda Development Board
OTF Group	On The Frontier Group
PSF	Private Sector Federation

1. Introduction

As policy-makers thinking about how Rwanda can achieve its ambitious goal of becoming a middle-income country by 2020, we immediately think of encouraging private sector investment, reforming regulatory frameworks, investing in skills, building new roads or laying fibre-optic cable. What we rarely think about is culture: the attitudes and mindsets that Rwanda's people need to have individually and collectively if our country is to realise its potential.

There are many areas where Rwanda's culture has helped it meet its goals. For example, low tolerance of corruption has helped to make Rwanda a more attractive place for foreign investors to do business. But increasingly it seems that there are other aspects of Rwanda's culture that are less conducive to development. In particular, these include: (1) poor appreciation for the concept of customer service, with service providers providing too little and customers tolerating too much and (2) The lack of a 'can-do', entrepreneurial approach to tackling problems and seizing opportunities. Together, this might be described as a 'culture of professional mediocrity'.

Stating the problem

As a country, Rwandans have known that there has been a persistent and growing problem with customer service for some time, yet efforts to address the problem have not been successful. A quote from one of the local newspapers, The New Times on 6th November 2007, sums up the situation:

“Rwanda aims at being a service-based economy putting emphasis on providing high-end products and services copying Singapore and South Korea as economic growth models. But if no serious action is taken against poor customer service among both public and private institutions in Rwanda, this dream may never come true. The funny bit is everybody talks ill about it - including those that fall short on good customer service - meaning it is disgusting to everyone in society.”

Beginning of the year, the President signalled his belief that this is a serious problem that urgently needs to be addressed. In his remarks at the reception of the diplomatic corps, on 23rd January 2009, he said:

“Customer service remains highly problematic in private, public and civil society domains, something that is most certainly going to preoccupy us in the coming days, months and years. We can no longer accept a culture of mediocrity either from Rwandan business and government institutions that give poor services, or Rwandan customers who quietly accept substandard 'customer care', if I can call it that.”

Rationale for the research

Given the severity of the issue the President commissioned a high-level task force, chaired by the Strategy and Policy Unit of the president's office, to examine this culture and explore practical solutions around how it can be tackled.

In addition, this issue became one of the key focuses of this year's National Leadership Retreat, which is the annual gathering of the country's political leaders, arguably the most important date in the political calendar and the point at which policy agendas for the coming 12 months are set.

The Rwanda Development Board (RDB) leaded the preparations for this aspect of the retreat, and asked IPAR to provide a short, focused piece of analytical work to support the deliberations. This represented an unrivalled opportunity for IPAR research to influence the nation's key decision-makers.

IPAR was asked to pull together existing evidence on the scale and impact of the problem of poor customer service across key sectors like tourism and finance and, where necessary and feasible, to undertake additional focused primary research, that will help to inform policy-makers in their deliberations on this issue. This report scopes out the problem and identifies some possible ways forward.

2. Summary

Key Findings

- Rwandan customer service is seen as the worst in the region.
- 1 in 4 tourists have a negative customer service in Rwanda and the perception may be getting worse.
- Customer service quality varies across the sectors and is linked to skills, with white-collar generally better and blue-collar sectors – notably transport – weak.
- Due to lack of competition is the main reason why consumers continue to visit businesses with poor service.

Key Problems

- Most cited problems are: unhelpfulness/inattentiveness, slowness and rudeness.
- There is a Rwandan cultural norm against complaining.
- Consumers seem to lack awareness of what they have a right to expect. Those exposed to customer service in other countries are much more demanding.
- Organizational cultures do not seem to encourage a focus on hard work.

Recommendations

Key issues for future research:

- Understanding the link between skills and service quality: do technical skills and 'soft skills' go together? If so, can 'soft skills' (attitude, behavior, beliefs, culture) still be taught?
- Hiring, pay and rewards: how do employers affect the service their employees provide?
- Behaviour change: what kinds of messages will be most effective in persuading consumers to demand more?
- Assessing the impact of government initiatives on the customer care campaign.

3. Methodology

The study took both quantitative and qualitative form. The research was cross sectional in nature and aimed to provide holistic perceptiveness of the perceptions and expectations of the customers served by various commodity providers in Rwanda. Our approach was based on 4 methodologies.

Synthesis of existing data

We did an analysis of various existing secondary data on the issue of poor customer service. We first got data came from the World Values Survey, which is survey that looks at nationally representative samples of the public for 42 countries. The dataset we used was data for Rwanda 2007. We then got additional information and data from the following surveys:

- (1) The Private Sector Federation (PSF)/On the Frontier (OTF) Group Business Climate Investment Survey, which had a stratified random sample of 952 business owners.
- (2) The OTF Group survey done in June 2008, entitled “Rwanda Tourism’s Welcome Campaign: Creating a Customer Service Culture through Behavior Change”, which included data from a January 2007 OTF Group Tourism Channel Partner Survey and a March 2008 RDB – Tourism and Conservation/OTF Group exit survey of 215 tourists.
- (3) And the PSF Capacity Needs Assessment of Small and Medium-Sized Enterprises (SMEs). It was a survey of 2100 SMEs across 21 districts, chosen through purposive sampling to be representative of those districts and seven PSF chambers.

Analysis of TripAdvisor.com reviews

TripAdvisor.com is a leading online provider of tourism information, with around 30 million monthly visitors. Users write and post their own reviews and rankings of restaurants, hotels and tourist attractions.

As of February 10th 2009:

- TripAdvisor.com included 257 reviews of Rwanda businesses
- These reviews covered a period from January 2005 to February 2009
- 41 businesses were reviewed (i.e. some businesses were reviewed multiple times)

Each review was coded in the following way:

- Each review was analysed in terms of three dimensions of satisfaction: (a) the quality of the ‘product’ (e.g. meal); (b) value for money; (c) quality of customer service
- For each dimension, each review was coded in terms of whether it was: (a) generally positive; (b) generally negative; (c) not mentioned.

Where negative customer service was mentioned, a note was taken of the specific problems raised.

Mystery shopping

IPAR commissioned SHEI & ENZ Consulting, a service quality improvement firm with extensive experience in Benin, Ghana and Rwanda, to conduct ‘mystery shopping’ in a number of businesses.

43 businesses were visited across ten sectors: telecommunication (3); banking (8); insurance (4); hotels (4); restaurants (5); healthcare (3); transportation (3); retailers (4); garages and filling stations (5); public services (4).

Each business was evaluated along 4 dimensions using a standard evaluation guide with 11 distinct criteria including availability of staff, first contact, sales attitude, and product knowledge and service duration.

Based on their scores against these criteria, each business was given an overall score out of 10.

Customer perceptions questionnaire

Three surveyors administered an IPAR-designed questionnaire to a non-representative sample of 278 Kigali residents and visitors. Surveys were completed through face-to-face interviews in a number of public locations around Kigali, with questions asked in English, French and Kinyarwanda.

The survey was administered 9th-10th February 2009. The response rate was 90%.

Key demographic characteristics of the sample were as follows:

Gender - Male = 59%, Female = 41%

Age - 16-24 = 20%, 25-34 = 44%, 35-44 = 23%, 45-54 = 10%, 55+ = 3%

Ever lived outside Rwanda - Yes = 60%, No = 40%

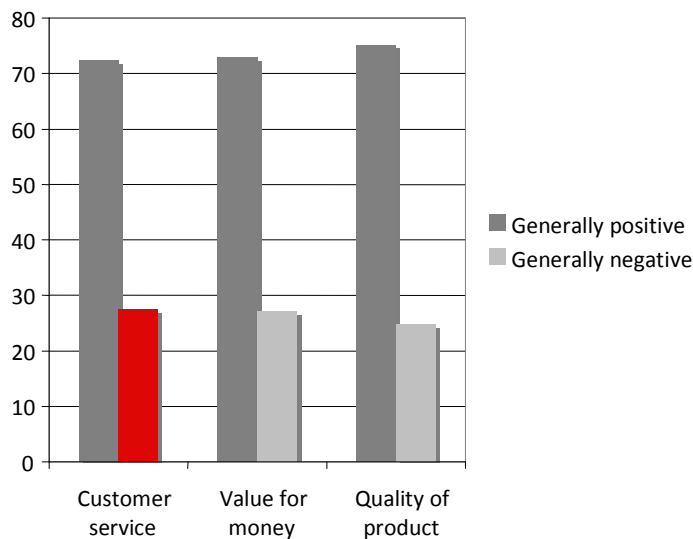
4. Analysis and findings of poor customer service

Scale of problem

Existing research evidence suggests that poor customer service is a problem for Rwandan business.

- **Customer service in Rwanda is seen as worse than in comparable countries.** A survey of global travel agents and tour operators by the OTF Group in 2007 found that the customer service in Rwanda was rated the lowest of any country in East Africa.
- **Poor customer service is perceived as a problem by tourists.** Asked in a 2008 RDB –Tourism Agency/OTF Group survey to say “Which of Rwandans’ attitudes and behaviors seem negative for tourism growth”, 29% of tourists answering identified poor customer service.
- **Businesses believe their staffs lack customer service skills.** In a capacity needs assessment of 2100 small and medium sized enterprises by the Private Sector Federation, businesses in 5 of the 7 sectors identified customer service as one of the most pressing capacity issues they faced.

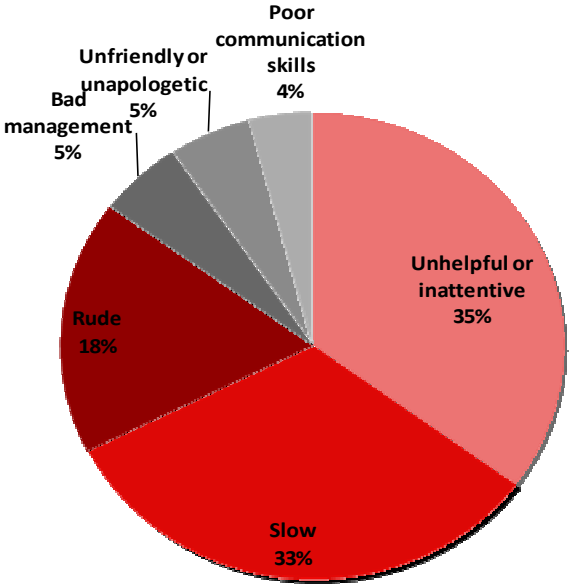
Figure 1: TripAdvisor reviews highlighting customer service, value or quality¹



These conclusions of existing poor customer service are supported by IPAR’s research. According to figure 1, more than 1 in 4 tourists encounter poor customer service during their stay in Rwanda. While the majority of TripAdvisor reviewers experienced good customer service while in Rwanda, 28% experienced bad service. Of the 41 businesses reviewed on the site, 11 have prompted more negative mentions of customer service than positive mentions.

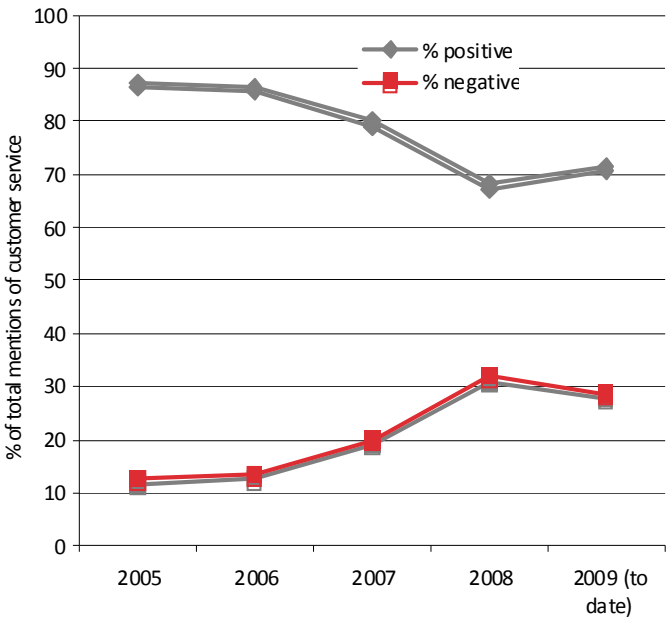
¹Source: IPAR analysis of TripAdvisor.com

Figure 2: Most cited problems with customer service among TripAdvisor reviewers²



The most commonly cited problems with customer service are slowness, inattentiveness and rudeness, as shown in figure 2. Of the specific problems with poor customer service identified, more than a third relate to unhelpfulness and inattentiveness, another third to slowness, and almost a fifth to rudeness.

Figure 3: Trends in perception of customer service among TripAdvisor reviewers³

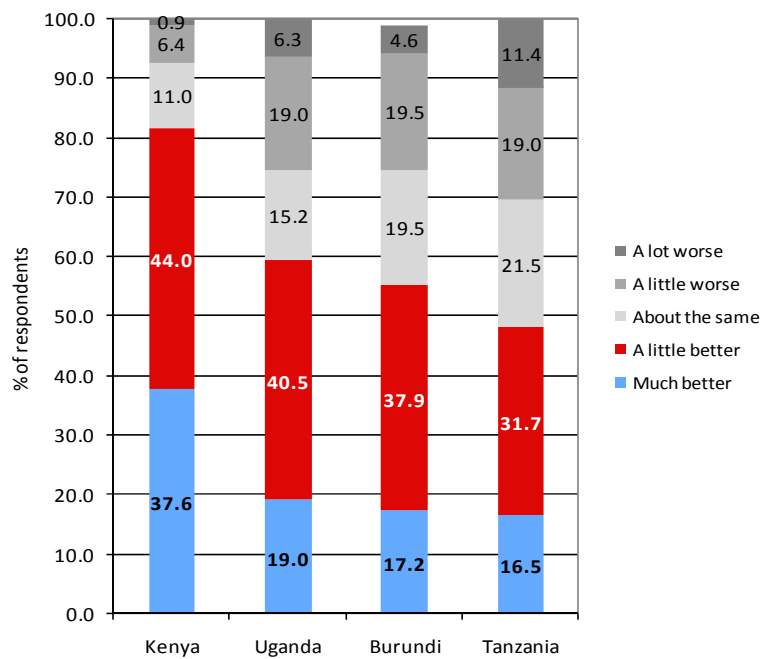


² Source: IPAR analysis of TripAdvisor.com

³ Source: IPAR analysis of TripAdvisor.com

There is also some evidence that tourists' perceptions of customer service in Rwanda are getting worse, as exemplified in figure 3. Limited data for earlier years makes it difficult to prove conclusively, but there is some evidence that tourists' perceptions of customer service are deteriorating. In 2005-6, around 85% of all mentions of customer service were positive. In 2008-9, only around 70% have been positive.

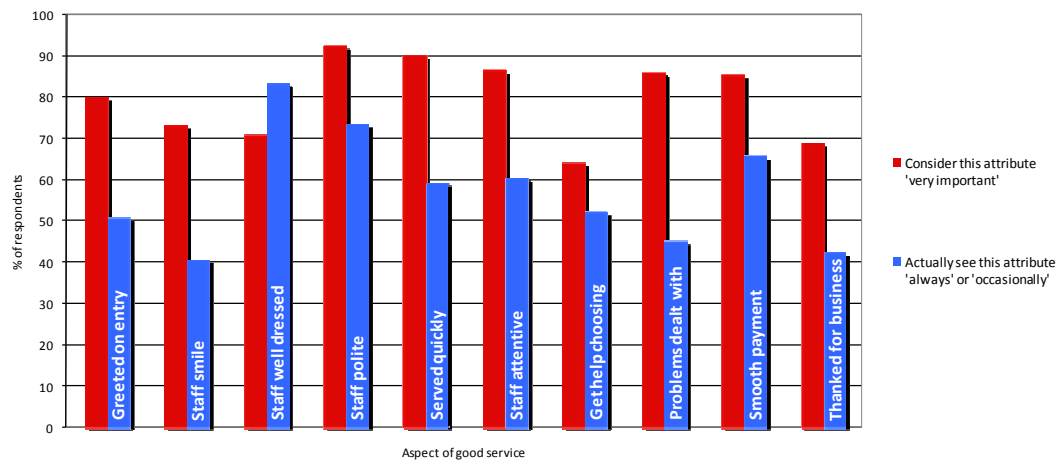
Figure 4: Comparisons of customer service in Rwanda and EAC countries⁴



Those who have experienced the customer service in other East African countries, especially Kenya, tend to think it is significantly better than in Rwanda; as shown in figure 4. Rwandan customer service fares poorly compared to its EAC neighbours, according to survey respondents who have experienced customer service in those countries. More than 80% of those who have been to Kenya say service there is a little or much better than in Rwanda.

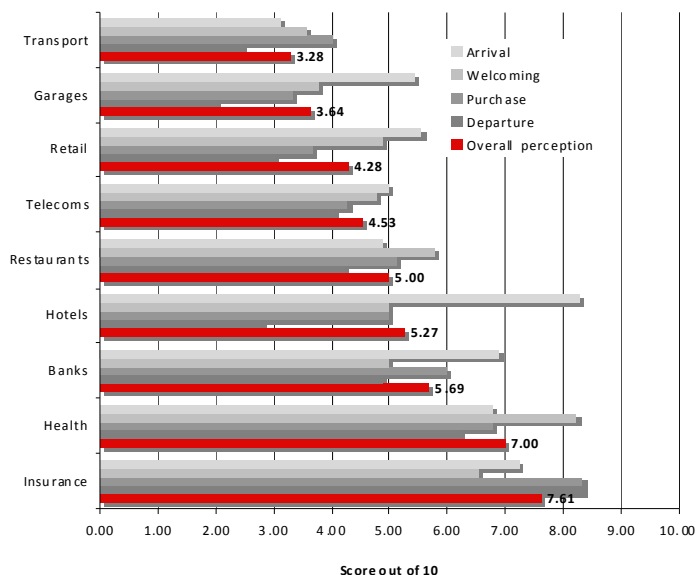
⁴ Source: IPAR Customer Service Survey

Figure 5: Gap between ideal and experience of customer service⁵



According to figure 5, there is a significant gap between the attributes of customer service that consumers in Rwanda consider important and what they actually experience.

Figure 6: Customer service by sector and aspect of performance⁶

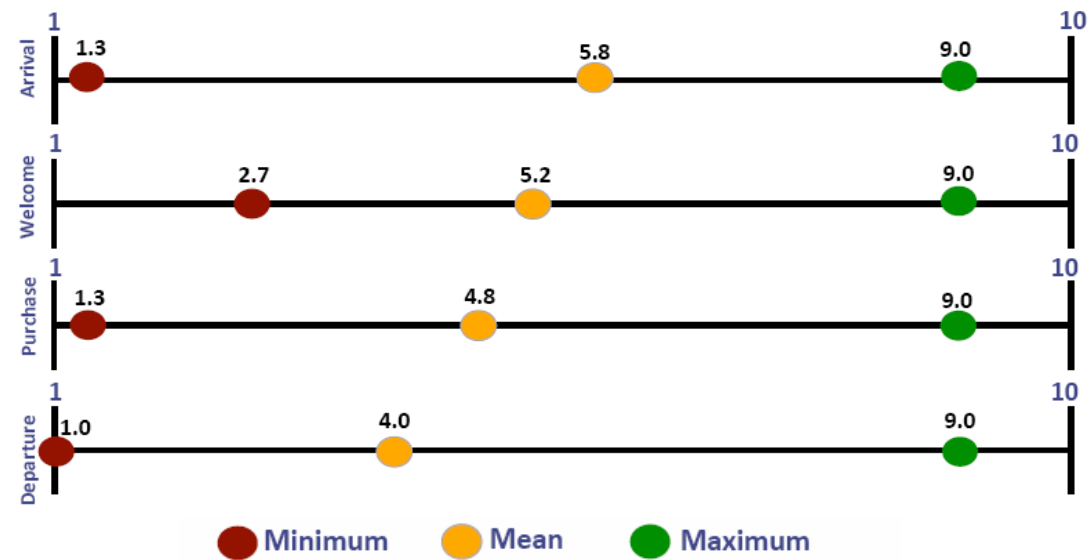


Customer service is not of a uniform quality, as exemplified from figure 6. Some sectors offer better customer service than others, with insurance the best performer and transport the worst. Customer service was perceived best in the white collar sectors of insurance, health and banking. Of the different aspects of customer service reviewed, businesses were poorest when it came to the two aspects most crucial to customer retention: managing the **purchase**, and leaving a positive impression on **departure**.

⁵ Source: IPAR Customer Service Survey

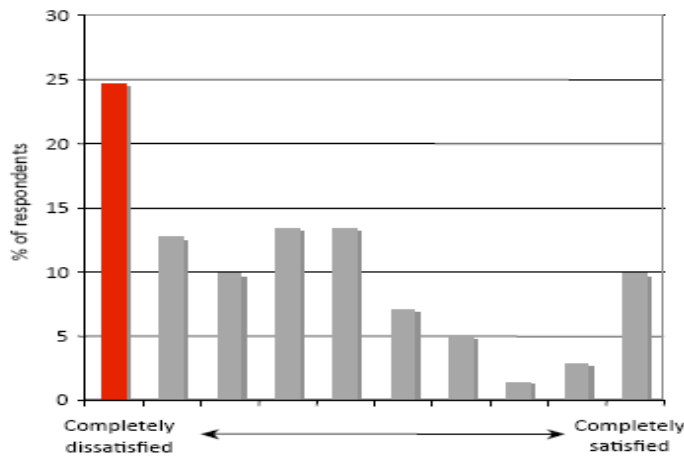
⁶ Source: IPAR – SHEI Mystery Shopping

Figure 7: Mean, minimum and maximum scores in each dimension, all businesses⁷



Variation in the quality of customer service suggests that there is great room for improvement, as shown in figure 7; that is if the worst could be brought up to the standards of the best.

Figure 8: Satisfaction with way complaint was handled⁸



While a surprising number of people claim to have complained about poor customer service recently, few were satisfied with how their complaint was handled, according to figure 8. Around half of respondents said they had complained about customer service in the last month. But asked to rate how satisfied they were with how their complaint was dealt with, almost a quarter were completely dissatisfied.

⁷ Source: IPAR – SHEI Mystery Shopping

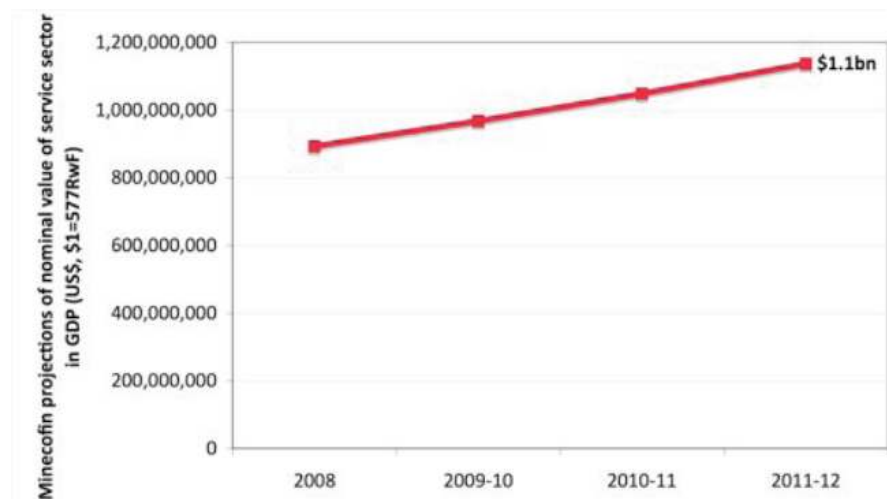
⁸ IPAR Customer Service Survey

5. Impact of poor customer service on the Rwandan economy

Poor customer service poses a major threat to Rwanda's development goals and its aspiration to become a service-based economy, since:

- The service sector accounts for 44% of the Rwandan economy.
- 6 of Rwanda's 10 biggest taxpayers are service based companies.
- Rwanda's principal growth industries depend on quality service, especially tourism, one of its largest export earners.

Figure 9: Projected trend in service sector growth, 2008-2012⁹



The service sector is forecast to grow at 8.4% a year over the coming period, as shown in figure 9. The question is whether better customer service would enable it to grow faster.

Modeling the impact of customer service on profits and growth¹⁰

Model 1:



⁹ Source: MINECOFIN. Note: these projections were completed before the impact of the global slowdown and are likely to be revised downwards.

¹⁰ Source: draws on Anderson and Mittal, "Strengthening the Satisfaction- Profit Chain"

Model 2:



Drawing on Anderson and Mittal model (2000), “Strengthening the Satisfaction – Profit Chain”, measuring the impact of poor customer service on the economy is difficult, but they are likely to be two mechanisms by which the lack of good service is slowing down growth.

Mechanism 1:



In the first mechanism above, the key factor is customer retention, which tends to raise net revenues per customer as well as enlarge the customer base.

- Existing customers boost revenues with repeat purchases
- Cheaper to maintain an existing customer than acquire a new customer
- Word of mouth recommendations reduce marketing and sales costs

Mechanism 2:



In the second mechanism, improvements in service efficiency unlock resources that can be redeployed more productively.

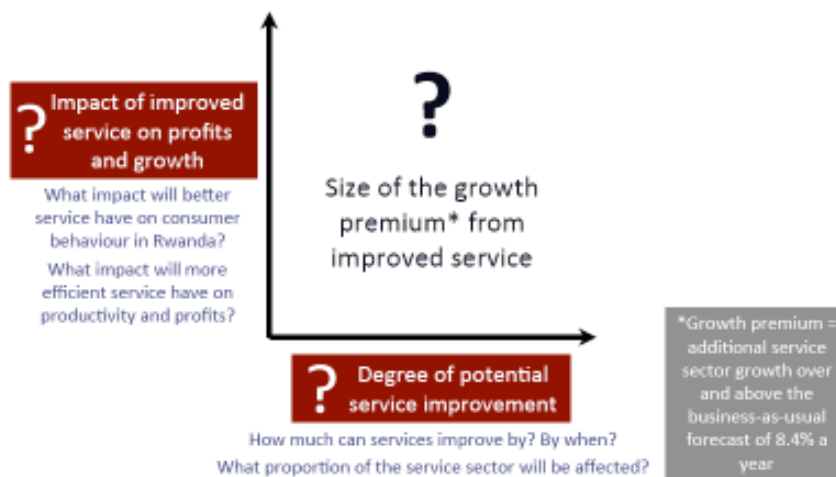
- With improved efficiency, more customers can be attended without increasing resources (e.g. staffing)
- This allows firms to increase sales, reduce costs, or redeploy staff and other resources more productively

An example: a restaurant



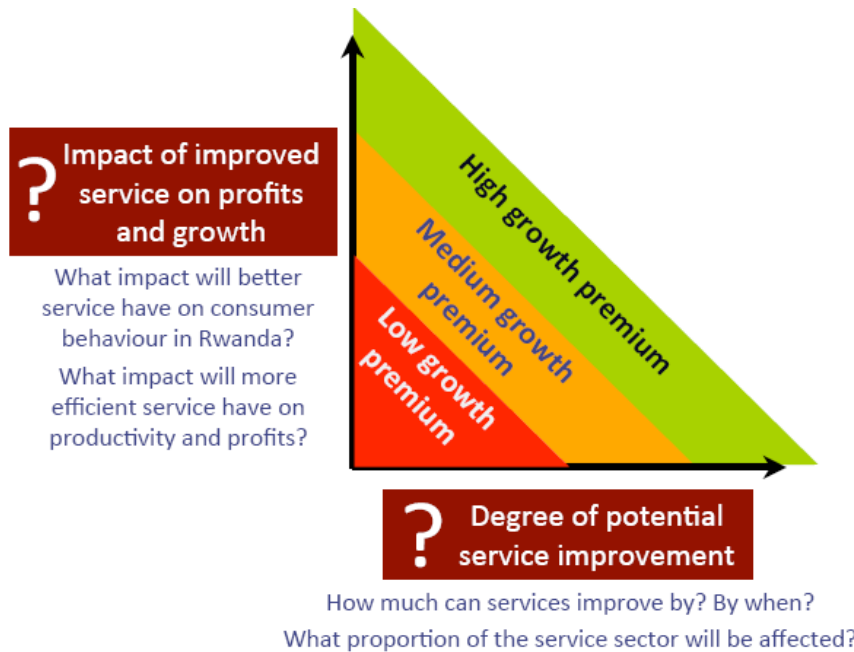
Above is an illustrative example of how improved service can drive restaurant profits.

Several Unknown factors



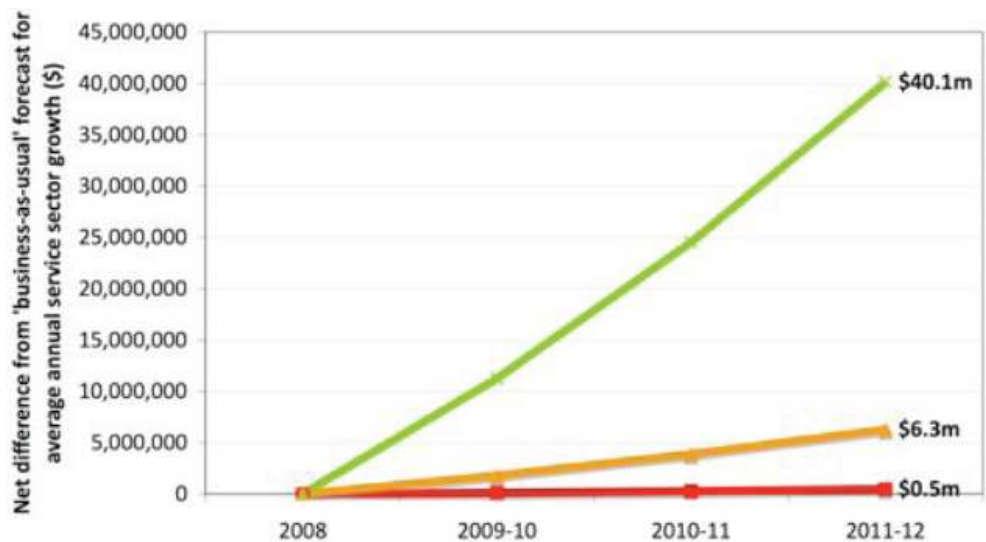
Even if there are right mechanisms, estimating the impact on the poor customer on the Rwandan economy is difficult because of several unknowns, which is stated out above.

3 scenarios for the unknown factors



In order to underline the uncertainty of the potential impact, we chose plausible values for these different unknowns to stimulate a range of scenarios, as shown above - low, medium and high growth premiums.

Figure 10: Potential impacts of customer service growth premium, 2008-2012.¹¹



Our scenarios suggest the economic impact of better customer service could be significant - as much as **\$40m a year by 2012** – but it could be much lower, as exemplified in figure 10.

¹¹ Note: relies on MINECOFIN business-as-usual projections that may be revised downwards. See appendix for more explanation.

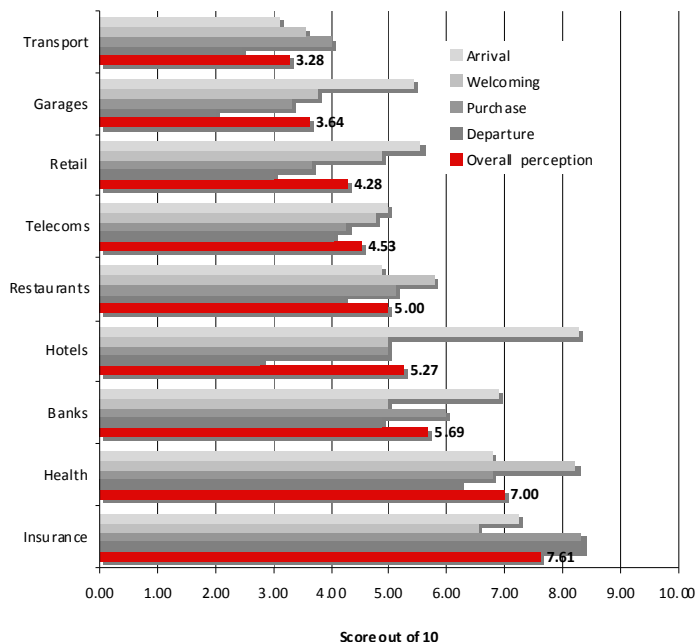
6. Understanding causes of poor service: supply and demand factor

Table 1: Potential supply and demand side of poor service

	Potential supply-side factors	Potential demand-side factors
Micro-level (individuals, firms)	Employee work-ethics Employee skills Hiring practices Management practices Pay and incentives	Low consumer awareness of acceptable standards Limited ability to exercise choice (e.g. access to transport)
Macro-level (economy, society)	Limited competition Limited market share of non-Rwandan companies Cultural traits and attitudes (e.g. reserved)	Cultural traits and attitudes (e.g. reluctance to challenge authority) Weak indigenous demand in service sectors

As the President himself noted, poor service likely results from both supply and demand-side factors. Our research sheds some light on both, as seen in the above box.

Figure 11: Customer service performance by sector¹²

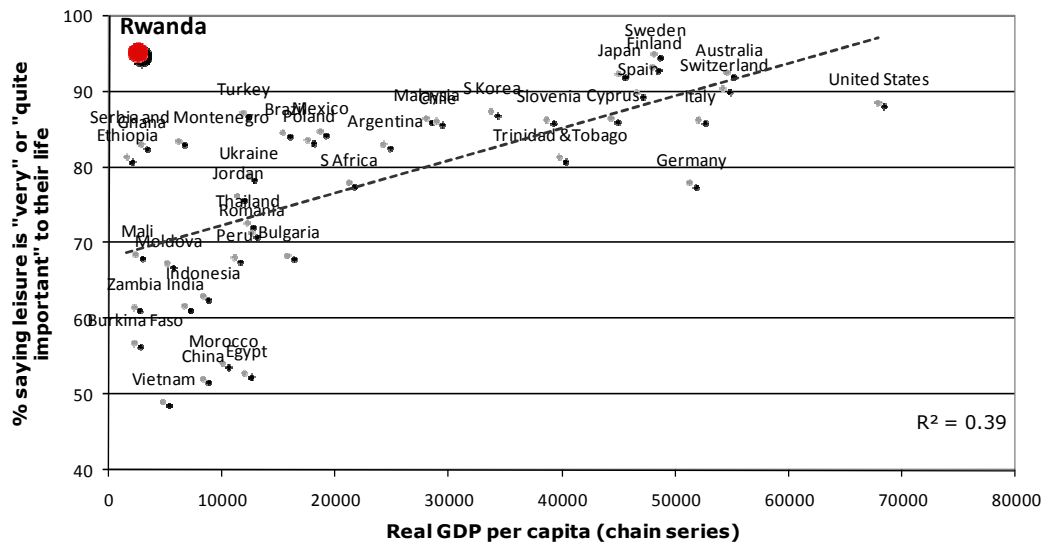


According to figure 11, customer service tends to be seen as better in higher-skilled sectors. This suggests that poor service may be linked to lack of skills among frontline employees. Generally

¹² Source: IPAR – SHEI Mystery Shopping

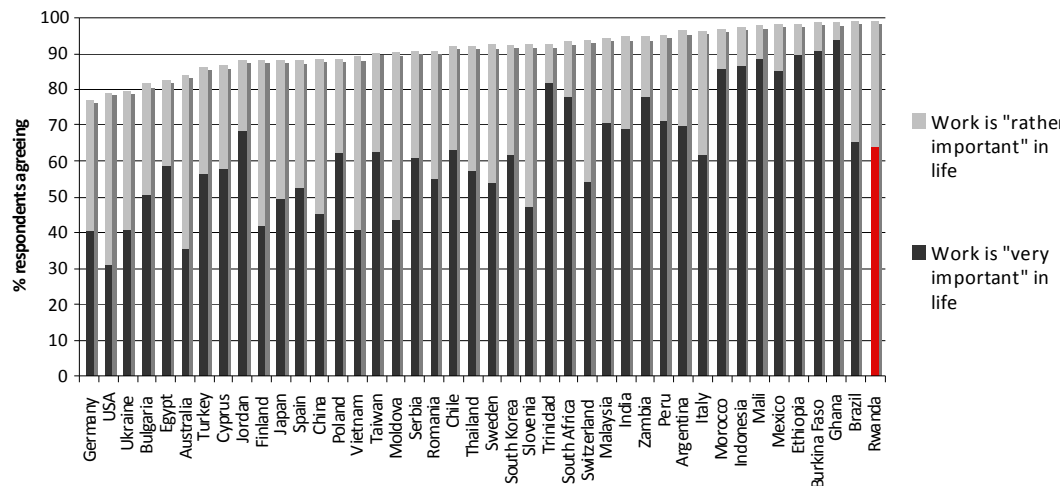
speaking, customer service tends to be better in the higher-skilled, white collar sectors of insurance, health and banking, and weaker in lower-skilled, blue collar sectors like transportation.

Figure 12: Higher emphasis on leisure than would be predicted from the country's current level of development¹³



When it comes to work ethic, there is some evidence to support the notion that Rwandan employees do not have the work ethic that they should, as seen in figure 12.

Figure 13: Intensity of emphasis on work as important to life¹⁴

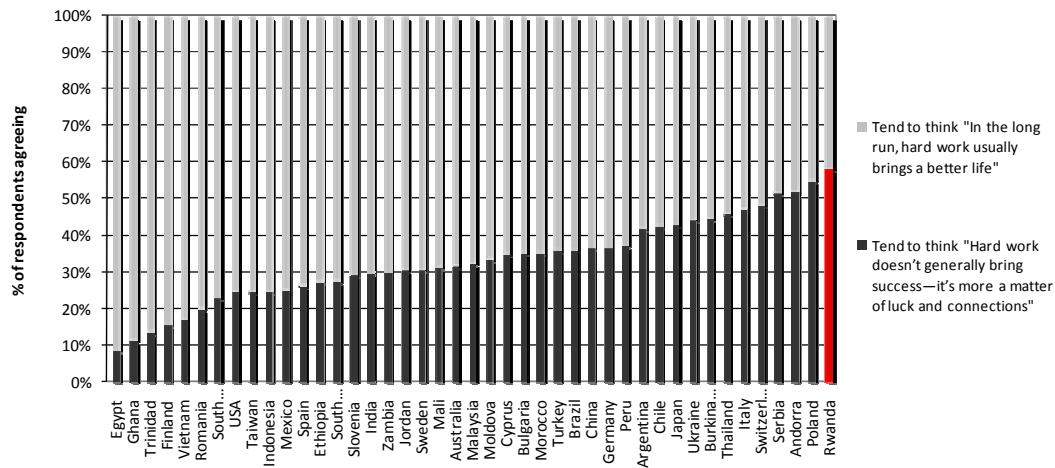


But it may be more accurate to say that while almost all Rwandans think work is important to some degree, they value it less intensely than some of their peers, as shown in figure 13.

¹³ Source: World Values Survey, 2008; Penn World Tables , 2003

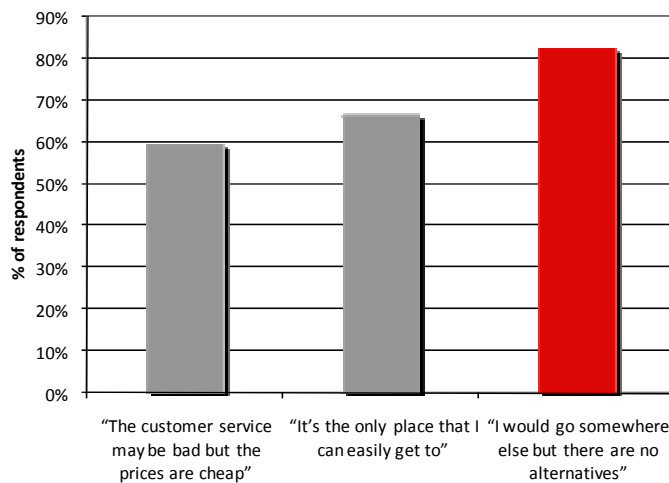
¹⁴ Source: World Values Survey

Figure 14: Pessimism that hard work will lead to a better life¹⁵



According to figure 14, Rwandans are also unusually pessimistic about whether hard work pays off, which may point to problems with the way employers recruit and reward performance.

Figure 15: Reasons for continuing to visit businesses with poor service¹⁶

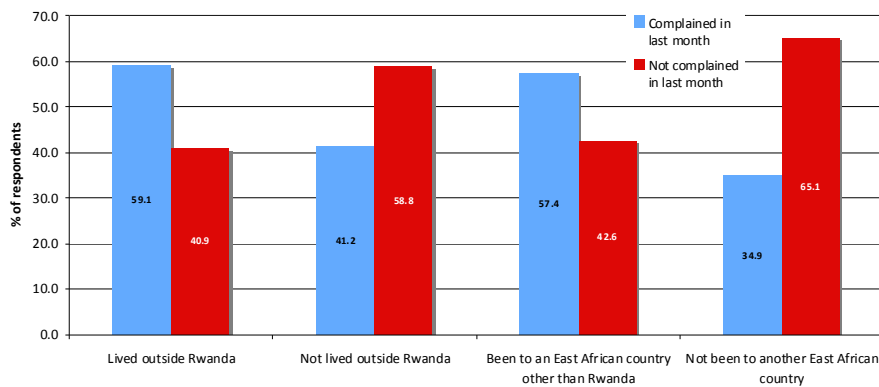


As far as consumers are concerned, it is the lack of competition that prevents them from basing more of their choices on customer service quality, as shown in figure 15. While consumers rated customer service as very important in deciding among businesses, in practice it seems that a lack of competition prevented them from doing so. More than 80% said a lack of alternatives had led them to shop or visit businesses even though their service was bad.

¹⁵ Source: World Value Survey

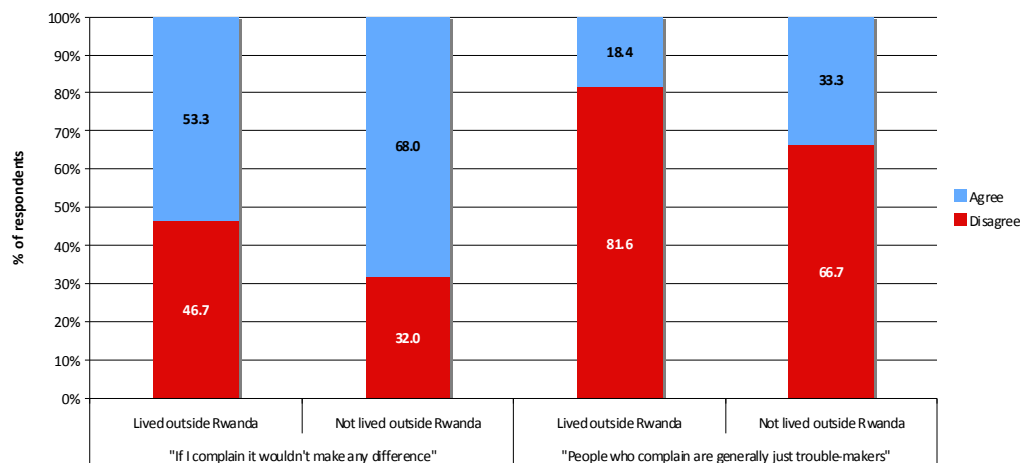
¹⁶ Source: IPAR Customer Service Survey

Figure 16: Propensity to complain and exposure to other cultures¹⁷



Our data also point to a Rwandan cultural norm against complaining, as demonstrated in figure 16. Consumers who have been exposed to other cultures are much more likely to complain.

Figure 17: Attitudes to complaining by whether has lived outside Rwanda¹⁸



Furthermore as figure 17 shows, consumers exposed to other cultures also have a more positive attitude towards complaining than consumers who have only lived in Rwanda.

¹⁷ Source: IPAR Customer Service Survey

¹⁸ Source: IPAR Customer Service Survey

7. Conclusion and recommendations

Conclusion

These preliminary findings already provide a fairly clear picture of the ‘culture of mediocrity’ in Rwandan customer service, its causes and consequences. As the visible as it may seem, customer service in Rwanda is poor and is seen as the worst in the East African region. However improvement is possible because the variation across the businesses that offer service, have shown that there is nothing inevitable about poor service.

Further findings show that poor customer service does hurt the Rwandan economy. But if we bring the worst performing sectors closer to the standard of the best performing sectors, it could potentially add up to \$40 million to the GDP by 2012.

In addition, our findings found that poor service is partly driven by supply-side factors. Lack of competition prevents consumers from being more discerning. Organizational cultures do not seem to encourage a focus on hard work. Customer service quality appears at least superficially to be linked to skill levels. Furthermore poor service also reflects weak demand. Consumers seem to lack awareness of what they have a right to expect. Those exposed to customer service in other countries are much more demanding.

Recommendations

There is still more to learn if efforts to challenge the ‘culture of mediocrity’ in customer service are to be effective. Here are some key issues, which we believe need to be addressed for future research:

- Understanding the link between skills and service quality: do technical skills and ‘soft skills’ go together? If so, can ‘soft skills’ (attitude, behavior, beliefs, culture) still be taught?
- Hiring, pay and rewards: how do employers affect the service their employees provide?
- Behaviour change: what kinds of messages will be most effective in persuading consumers to demand more?
- Assessing the impact of government initiatives on the customer care campaign.

Ongoing Government Initiatives on Customer Care Campaign

The government has taken the following preliminary initiatives:

- Creation of customer care committees: Steering and Technical committees
- Media outreach
- National Customer Care Campaign
- Mindset change: “Train the trainers” initiative on customer service

Notes

1. The source is from MINECOFIN. These projections were completed before the impact of the global slowdown and are likely to be revised downwards.
2. Draws on Anderson and Mittal, “Strengthening the Satisfaction- Profit Chain”
3. Relies on MINECOFIN business-as-usual projections that may be revised downwards. See appendix for more explanation.
4. Anderson and Mittal find that a 1% increase in firms’ customer satisfaction is associated with a 2%increase in ROI that is a 200% return on service improvement. From Anderson and Mittal, 2000 “Strengthening the Satisfaction-Profit Chain”
5. Calculated based on US 1\$ = 577Rwf. Services assumed to be 44% of GDP. MINECOFIN baseline estimate is likely to revise downwards because of the global economic slowdown. From IPAR analysis of MINECOFIN data.

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OTF Group/PSF Business Climate Investment Survey: stratified random sample of 952 business owners.

OTF Group: Rwanda Tourism's Welcome Campaign: Creating a Customer Service Culture through Behavior Change, June 2008. Includes data from a January 2007 OTF Group Tourism Channel Partner Survey and a March 2008 RDB – Tourism and Conservation/OTF Group exit survey of 215 tourists.

PSF Capacity Needs Assessment of Small and Medium-Sized Enterprises. Survey of 2100 SMEs across 21 districts, chosen through purposive sampling to be representative of those districts and seven PSF chambers.

World Values Survey: nationally representative samples for 42 countries. Data for Rwanda 2007

Appendix

Table 2: Key assumptions in our model of the economic impact of poor customer service¹⁹

		Low	Medium	High
? Degree of potential service improvement	% service improvement	3%	5%	7%
	% service sector affected	25%	50%	75%
? Impact of improved service on profits and growth	return on service improvement*	40%	80%	120%
	return on higher productivity	5%	10%	20%
? Overall annual growth premium	Additional % growth over and above business-as-usual (8.4%)	0.02%	0.20%	1.26%

Table 3: Key assumptions in our model of the economic impact of poor customer service²⁰

	2008	2009-10	2010-11	2011-12	Net impact by 2011-12 (US\$)
GDP (Millions US\$)	\$2,029.1m	\$2,253.9m	\$2,430.5m	\$2,625.8m	
Services: business as usual (US\$)	\$892.8m	\$967.8m	\$1,049.1m	\$1,137.2m	N/A
Services Scenario 1: low road	\$892.8m	\$967.9m	\$1,049.4m	\$1,137.7m	\$468,393
Services Scenario 2: middle road	\$892.8m	\$969.6m	\$1,053.0m	\$1,143.5m	\$6,302,448
Services Scenario 3: high road	\$892.8m	\$979.1m	\$1,073.6m	\$1,177.3m	\$40,114,905

¹⁹ Anderson and Mittal find that a 1% increase in firms' customer satisfaction is associated with a 2% increase in ROI that is a 200% return on service improvement. From Anderson and Mittal, 2000 "Strengthening the Satisfaction-Profit Chain"

²⁰ Calculated based on US \$1 = 577Rwf. Services assumed to be 44% of GDP. MINECOFIN baseline estimate is likely to revise downwards because of the global economic slowdown. From IPAR analysis of MINECOFIN data.



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